



February 20, 2020

New Mexico Environmental Department
1190 St. Francis Dr., Santa Fe, NM 87505
Attn: Sandra Ely, Environmental Protection Division Director
Email: Sandra.Ely@state.nm.us

New Mexico Energy, Minerals, and Natural Resources
1220 S. St. Francis Drive, Santa Fe, NM 87505
Attn: Adrienne Sandoval, Oil Conservation Division Director
Email: Adrienne.Sandoval@state.nm.us

Dear Directors Ely and Sandoval:

DJR Energy (DJR) is an independent oil and gas company with assets in the San Juan Basin of New Mexico. We currently operate 578 vertical and 114 horizontal oil and gas wells. DJR is committed to reducing methane emissions and was very interested in the Methane Advisory Panel (MAP) process. Our interest was such that we had one of our engineers participate in the MAP. He was one of 8 Independent Petroleum Association of New Mexico (IPANM) representatives to participate in the MAP. DJR's engineer and the IPANM MAP members worked diligently to ensure the perspectives of smaller operators were incorporated into the MAP technical document. Provided below are our comments to the MAP document which was posted on December 13, 2019 for public review.

DJR also endorses by reference the comments being submitted by the Independent Petroleum Association of New Mexico (IPANM).

- **Marginal Well Considerations**

Marginal wells and the associated economics must be considered when drafting methane reduction regulations. Many San Juan Basin wells are marginally economic, and any additional costs imposed by new regulatory requirements could result in premature abandonment. This would mean that recoverable reserves will remain in the ground, thereby losing the associated revenue to local, state, and federal, governments. DJR is very sensitive to this issue, as we currently operate a large number of marginally economic wells. Costs associated with retrofitting existing equipment on these wells (which will likely result in only insignificant fugitive emissions reduction) need to be thoroughly understood in determining applicability. Thousands of marginal wells throughout the San Juan Basin are at risk of premature abandonment if a one size fits all regulatory approach is implemented. Operational considerations differ from well to well, and the flexibility to engineer the most effective manner of production for each well is critical.

- **Pneumatic Controllers/ Pumps**

DJR feels strongly that provisions should be made to allow upgraded pneumatic devices to be gradually phased-in over time. In this low gas price environment, requiring immediate replacement will place an unnecessary burden on marginal wells, putting their economic operation at risk, possibly resulting in untimely abandonment of the wellbore and its associated reserves. A more prudent approach would be to replace the pneumatic device at the



end of its useful life when replacement is necessary. This would be the appropriate time to replace the controller or pump with a low-bleed model.

- **LDAR**

We would urge that a compliance schedule based on the volume of Volatile Organic Compounds (VOC) be the basis for the frequency to conduct Leak Detection and Repair (LDAR). For example, we support a one-time LDAR program for well sites without tank emission controls or below 10 TPY VOC. This logical approach is appropriate for these types of well sites.

While we currently utilize a FLIR camera for our leak detection program, this technology is very expensive. The type of FLIR camera capable of performing the leak detection necessary to meet regulatory requirements requires an investment of nearly \$100,000/camera. This can have a serious cost impact, particularly if an operator has well and facility operations dispersed over a wide area of multiple counties with hundreds of wells. There are other technologies which the EPA has approved, and we would recommend these be considered and allowed in the final rulemaking. These include gas imaging, Method 21, laser spectrometry, and other developing technologies. Individual operators need the flexibility to determine which technology works best for them, and again avoid a one size fits all approach.

- **Workovers/Liquids Unloading**

In reviewing the MAP technical report there is dialogue regarding artificial lift installation as an emission reduction strategy. This is not correct. To categorize artificial lift in this manner also fails to recognize the variability across producing basins, and more importantly, in the oil and gas wells themselves. For example, plunger lift, an artificial lift production technique, may have in some instances, the added benefit of reducing emissions. It is not, however, universally applicable to all wells. Further, plunger lift systems do fail and can require additional maintenance. Depending on the control systems, they may also require regular operator intervention.

Plunger lift systems can require substantial capital investment, particularly if changes to wellbore tubulars are required. If adequate control systems and power supply are not available on a given well, installation will require additional expenditures. This option should be voluntary given the restrictions on applicability posed by wellbore configuration, pressure and build-up profile, and production characteristics. Many wells in the San Juan Basin already have a variety of artificial lift systems or other enhanced deliquification equipment installed. Well conditions, operating characteristics, and best engineering practices should dictate which artificial lift method is employed. Requiring all wells to standardize on a particular method of artificial lift would be operationally infeasible, leading to the premature abandonment of a significant number of wells, associated reserves, as well as the concomitant loss of local, state, and federal revenue.

- **Best Management Practices**

Best Management Practices (BMPs) are also discussed in the MAP document. BMPs are generally defined as a practice or combination of practices that have been determined to be the most effective and practicable means of preventing or reducing impacts to the environment. More significantly, they are constantly evolving as new technologies are developed. BMPs are shared as voluntary practices among industry, researchers, contractors, etc. BMPs should be viewed as a way to encourage innovation and share the knowledge gained. However, if BMPs evolve into a mechanism for imposing new regulations, a disincentive would result to share new ideas and techniques. We would encourage the New Mexico Environmental Department to support BMPs and avoid incorporating these as rules, particularly considering that these techniques will continue to improve if their proper use is promoted.



- Separators/ Heaters/ Storage Vessels

DJR is concerned with the applicability threshold for emission controls on storage vessels. Our many older and more marginal wells would require considerable capital investment to either retrofit new controls in existing tanks, or install new tanks equipped with controls. In many cases, our marginal wells would have insufficient remaining reserves to pay for such equipment upgrades, which would necessitate plugging and abandonment, once again leaving valuable reserves unrecoverable.

- Completions/ Recompletions/ Stimulations

DJR is concerned about a recommendation in the technical report that would eliminate the "technical infeasibility" exemption for green completions. DJR utilizes nitrogen foam hydraulic fracturing for completing wells. It is important to note that after hydraulic fracture operations, the largest gas component of the flowback fluid is nitrogen, an inert gas. This gas will not meet pipeline specifications. Once the flowback gas is capable of meeting pipeline specifications, it is routed to an existing pipeline connection. For these reasons, the exemption should remain in place.

Thank you for the opportunity to provide comment on the MAP technical report. We look forward to working with you in the future.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dave Brown', is positioned above the printed name.

Dave Brown

Manager of Government and Regulatory Affairs

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